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Industrial Distribution

April 1986

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Hotline:
Distributors/suppliers see gains in declining value of U.S. dollar

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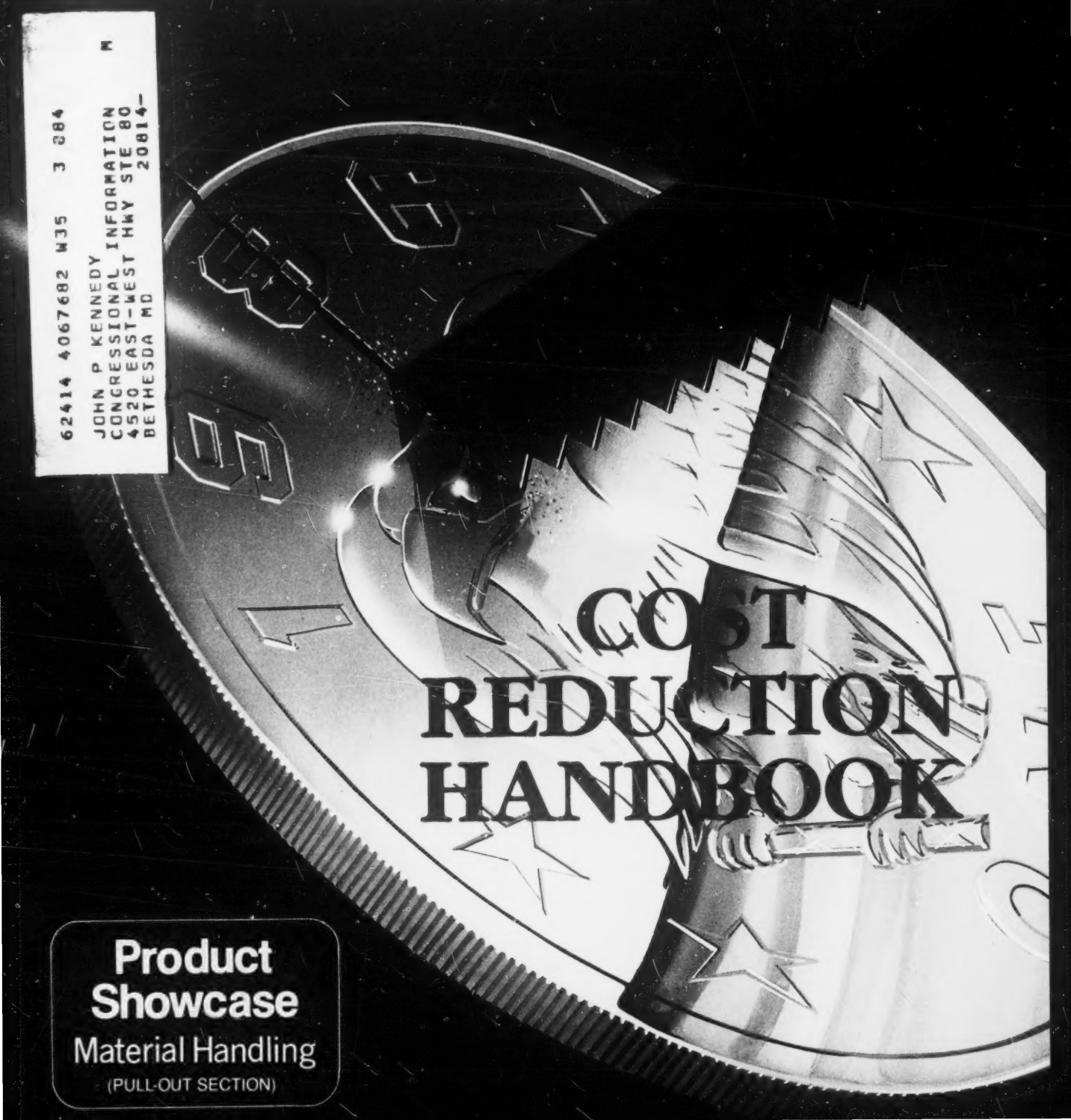

COST REDUCTION HANDBOOK

Product Showcase
Material Handling
(PULL-OUT SECTION)

Industrial Distribution

VOL. 75, NO. 4/75th yr. A TECHNICAL PUBLISHING PUBLICATION APRIL 1986

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INDUSTRY NEWS
New OSHA 'Hazard Communications' standard places crucial responsibility on distributors; Call to Action; Business Report debuts in *ID*; Indicators; Distributor forms a subsidiary to teach systems selling; Klein Tools to produce new adjustable wrench line at Kansas facility; Facom acquires S-K Hand Tool.

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STRICTLY FOR SALESMEN
Why didn't I think of that?

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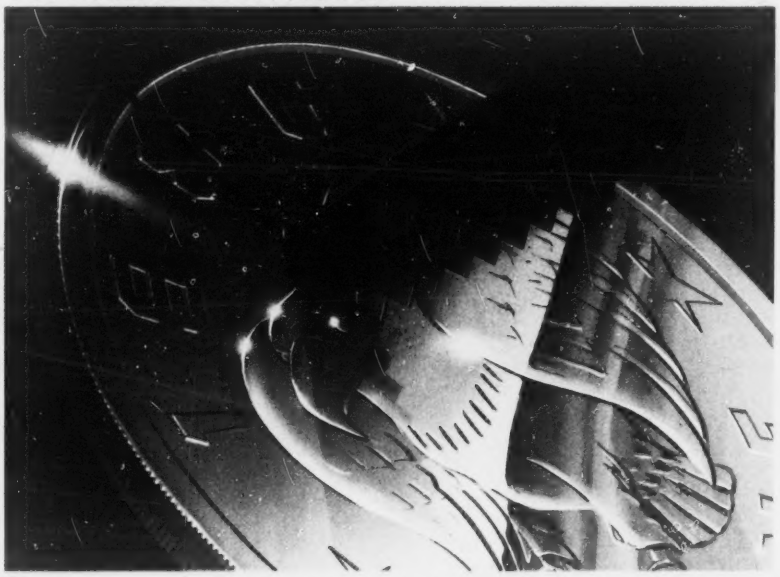
COST REDUCTION HANDBOOK



Distributors have never been presented with better opportunities to cut costs and find the "best buys". To reveal some of the latest cost-cutting opportunities, *ID* editors interviewed a wide variety of experts.

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High-tech hand tools spell opportunity; Keep sales people in continuous training; Promotion tops best sellers list; Lift capacity of warehouse workers; Promotion puts hands on profits; Daily organizer eases year-end headaches; Grinding technology for sales, training; Promotion promises to roll in cash.

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Indicators...

Figures from the three major indices are a mixed bag as one advanced in all regions for the current reporting period, one advanced slightly and one fell slightly. The NIDA/SIDA *Industrial Distribution Index* for January showed healthy growth nationally spurred by increases in each of the four regions. The *Index* for January '86 increased by 11.7 over December '85 reaching 145.9. Regionally, the largest gain occurred in the West which increased by 15.7 in January over the previous month. The Midwest showed a 12.9 increase while the East and South rose by 11.3 and 5.6 respectively. In a January '86/January '85 comparison, the national and regional figures all showed increases with the exception of the East which trailed its '85 figure by 7.1 points...The SIDA *Monthly Sales Trend Report* for January grew a scant 1.34 percent over the December '85 index. Gains ranged from a high of 5.18 percent in SIDA Area 3 (AL,-KY,MS,TN) to a loss of 3.68 percent in Area 2 (FL,GA,SC,-Puerto Rico). Area 4 comprising AR, LA, OK, and TX rose by 3.83 percent and Area 1 (NC,VA,WV) improved by 1.59 percent. Wounded by losses of 14.40 percent and 9.60 percent in Areas 1 and 3 respectively, January '86 versus January '85 for the entire area showed a loss of 4.81 percent...The December '85 ASMMA *New Order Index* receded 2.6 points to 115.9 from the previous month for a drop of 2.2 percent. The latest ASMMA figure closes the year on a lackluster note representing the lowest number recorded by the *Index* since March '84...The American Machine Tool Distributors Assn. *Total Index* of AMTDA new orders increased by a lusty 41 percent in December '85 versus the previous month to 86.6.

Distributor forms a subsidiary to teach systems selling

ORLANDO, FL—Harry P. Leu, Inc., an industrial distributor headquartered here, has announced the formation of Distributor Marketing Group (DMG), an organization that will provide distributors with instruction in the fundamentals of systems selling.

Joseph Stine, the president of Leu, says that instruction will be either by seminar, such as DMG conducted at the Central States Industrial Distributors'-Convention in Chicago last November, or "we will go to the company that needs more extensive help and work

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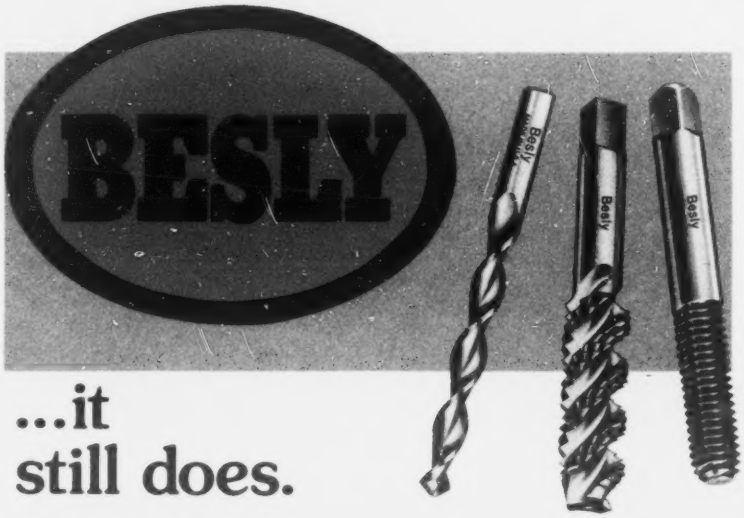

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Write in No. 12

The market:
efficiency opens doors to new opportunities

With *heightened efficiency for increased productivity* remaining the most urgent goal for most manufacturers, the market for material handling equipment and automated systems is increasing 15% annually, according to Frost & Sullivan, Inc., a New-York based market research firm. Business management is aware that sophisticated material handling operations lead to higher levels of production. In general, opportunities for sales of equipment and systems are increasing because material handling is keeping up with high tech and other productivity enhancing innovations.

According to Trinet Inc., an independent market research organization located in Parsippany, NJ, material handling equipment and related supplies account for annuals sales industry-wide of $6.0 billion. Products covered in this market profile include the more basic types: casters, wheels, hoists, winches, cranes, lift trucks, powered industrial trucks, hand trucks, shelf trucks, platform trucks, dollies, stackers, palletizers, storage racks, shelving and unit conveyors. Related accessories and servicing of this group increases the annual sales figure to $6.8 billion.

Frost and Sullivan indicates that two-thirds of the growth from 1984 through 1988 will result from inflation; measured in constant dollars, demand is expected to increase by about 15% during the period. Sales of some of the older types of equipment will decline while demand for the most modern systems, such as mini-load and unit-load automatic storage and retrieval systems (AS/RS) will grow rapidly.

Speculation from leading manufacturers is optimistic about *overall* market growth during the next several years. While the growth of AS/RS is being watched closely by plant engineers, the more routine methods of material handling are still a vital part of almost every plant and warehouse.

One manufacturer of shelving and steel storage equipment points out: "The automated storage and retrieval system is here to stay, but it only fits certain categories of customers because it's a very high-priced, highly technical item. The bigger customers can afford it but the smaller companies cannot. More and more distributors are solving problems on a daily basis and are called in for solutions which require traditional shelving, racks, bins, etc."

Another manufacturer of these products says companies are using height in their plants before expanding outwardly or relocating. For the distributor, this translates into opportunity to sell traditional material handling products as a means to cut costs while bringing a plant to maximum efficiency. Attention is also being placed on preventive maintenance, safety, accessibility and convenience to boost employee morale. This heightened awareness of productivity through slower, less fatiguing warehousing systems is in and of itself forcing the overall material handling market to move forward.

Many companies are also incorporating computers and high-tech equipment into storage systems built around traditional material handling products. The use of bar coding, for instance, provides substantial productivity improvements by speeding up flow of material into and out of the warehouse with little or no human error while providing detailed product identification for billing and inventory management. The market for bar code readers, in conjunction with material handling equipment, is increasing 25% annually according to Frost & Sullivan.□

MATERIALS HANDLING EQUIPMENT MARKET

SIC		$ Million
	Manufacturing/Durable Goods	
24	Lumber & wood products	$ 217
25	Furniture, fixtures	85
32	Mineral products	183
33	Primary metals	252
34	Fabricated metals	424
35	Machinery, computers	634
36	Electrical/electronics, appliances	502
37	Transportation products	470
38	Instruments, controls, medical	90
39	Durable goods nec	35
	Subtotal	$2,872
	Manufacturing/Non-Durable Goods	
20,21	Foods & tobacco	$ 791
22,23	Textiles, apparel	259
26,27	Paper & printing	516
28,29	Chemical & oil products	693
30,31	Rubber, plastics & leather	292
39	Non-durable goods nec	24
	Subtotal	$2,512
	Non-Manufacturing	
	Mining, oil & gas extraction, pipelines	$ 88
	Construction, trade contractors, related services	91
	Trucking & warehousing	194
	Marine, air, rail & bus transportation	147
	Wholesale/retail trades	220
	Automotive & other machinery M/R services	97
	Public utilities, postal service, other government & defense	511
	All other, institutional, equipment rental, other services, agriculture, consumer	68
	Subtotal	$1,416
	Total	$6,800

Source: Trinet, Inc., Parsippany, NJ.

BUSINESS REPORT

Oil's double-edged sword

Probably in no other area is the difference in regional economics more pronounced for industrial distributors than in oil exploration and production.

To be sure, falling oil prices are good for the national economy, resulting in lower energy costs, reduced inflation, and usually decreasing interest rates. But a sharp, prolonged price drop in oil makes it difficult for distributors dependent on domestic oil exploration companies for their business, to adjust to regional conditions and alter their customer base accordingly.

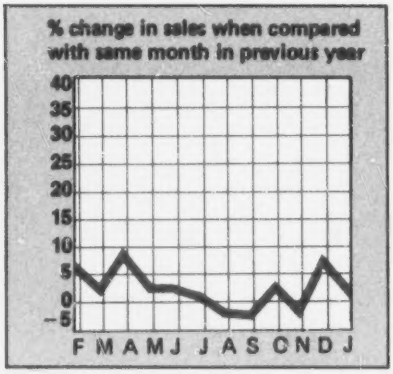
Although distributors in the southwest, particularly Louisiana and Texas, have experienced a downtrend in the oil market going back to 1982, and in many cases have made what they consider necessary adjustments, the dimensions of this break portend considerably more damage. States where shale oil is mined, Colorado for one, have seen mining brake to a halt.

Other businesses in these regions have been affected accordingly. Machine shops that buy basic materials from distributors, for example raw polyurethane and teflon forms, and fabricate them into rods and other parts for oil drilling companies, are being hurt severely. Unlike 1982, demand has not just slackened off, but dried up. With record failures in many areas, real property values have plummeted and new construction has pretty nearly died. This "domino effect" on regional business further reduces a distributor's chances to recover by trying to add new lines and gain new customers.

Ironically for these distributors, a prolonged drop in oil prices will eventually lower prices for parts made from oil-based synthetics, stimulating business demand for many distributor-sold products.

January *ID*'s Regional Report (now called Business Report) showed that nationally, distributors ran even compared to January 1985 (see graph). In month-to-month comparisons (Jan.'86 vs. Dec.'85), the figures were slightly more promising.

—**Milt Ellenbogen**



RECEIVABLES*

	Jan. '86 vs. Jan. '85			
	Gen.	Spec	Gen.	Spec.
New England	46	59	48	47
Middle Atlantic	48	44	47	45
South Atlantic	36	35	37	32
East No. Central	37	43	36	43
East So. Central	—	—	—	—
West No. Central	—	43	—	40
West So. Central	—	40	—	38
Mountain	—	—	—	—
Pacific	37	44	38	43
National	41	43	41	41

* Average days outstanding

SALES BY REGIONS (% change)	Jan.'86 vs. Dec.'85			Jan.'86 vs. Jan.'85			1st month '86 vs. 1st month'85		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−4	−60	−5	−10	−4	−7	−10	−4	−7
Connecticut	—	—	—	—	—	—	—	—	—
Massachusetts	−10	—	—	−7	—	—	−7	—	—
MIDDLE ATLANTIC: NY, NJ, PA	+12	−6	+2	−8	−1	−3	−8	−1	−3
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	—	+30	—	—	+1	—	—	+1	—
Pennsylvania	−2	−15	−10	−13	+9	−1	−13	+9	−1
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC, SC, VA, WV	−5	−2	−4	−9	−6	−8	−9	−6	−8
Georgia-Florida	−12	−8	−10	−17	−8	−12	−17	−8	−12
EAST NORTH-CENTRAL: OH, IN, IL, MI, WI	+23	+9	+16	−1	+5	+2	−1	+5	+2
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	+20	+13	+16	+4	+7	+6	+4	+7	+6
Chicago	—	—	—	—	—	—	—	—	—
Michigan	—	+7	—	—	+12	—	—	+12	—
Ohio	+24	—	—	−7	—	—	−7	—	—
EAST SOUTH CENTRAL: AL, MS, KY, TN	—	—	—	—	—	—	—	—	—
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−4	−4	−4	−25	−2	−9	−25	−2	−9
WEST SOUTH CENTRAL: AK, LA, OK, TX	−4	+2	0	−10	+7	+1	−10	+7	+1
Texas	−14	—	—	0	—	—	0	—	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	—	—	—	—	—	—	—	—	—
PACIFIC: CA; OR, WA	+6	−2	+4	+19	+1	+14	+19	+1	+14
L.A.-San Diego	+2	—	—	+24	—	—	+24	—	—
Oregon-Washington	+19	−7	+3	+19	+10	+14	+19	+10	+14
U.S. TOTALS	+7	−1	+3	0	0	0	0	0	0